

DEPARTMENT OF PUBLIC SERVICE

MEDIA RELEASE

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Adelphia agrees to extend lines to estimated 20,000 rural homes

Agreement secured with multi-million dollar bond

Montpelier, VT—The Vermont Department of Public Service (DPS) and Adelphia Communications today filed with the Public Service Board (PSB) an agreement that, if approved, will make new cable service and high-speed internet access available along more than 1,500 miles of Vermont roadways and will settle multiple pending federal court and PSB cases. Performance under the agreement is secured with a penalty mechanism that will impose automatic fines starting at \$25,000 per mile and increasing annually for any mile of cable that is not built on schedule.

"This agreement brings cable and broadband service to about 20,000 rural Vermont households," said DPS Commissioner David O'Brien. "Many of these homes otherwise would be unlikely to see service for years, if ever. The Department of Public Service has insisted from the beginning that Adelphia must fulfill the obligations it accepted to do business in Vermont – that these miles must be built. The agreement means they must and will honor those obligations. The severe and certain penalties for not doing so give us confidence that Adelphia will follow through without further dispute. Through this agreement, the interests of Vermont consumers have been served."

The settlement sets annual mileage requirements beginning in 2004 that add up to Adelphia completing 1,262 miles of line extensions in rural areas by December 31, 2008. In lieu of fines for various issues raised in ongoing Board proceedings, the company agreed to build 150 to 300 additional miles of service into rural areas that are unlikely to qualify for line extensions in the foreseeable future absent the agreement. Construction on the additional mileage may begin immediately and must be completed by December 31, 2009.

To ensure Adelphia fulfills its obligation to build, which has been the subject of repeated litigation, the company must post a bond to secure any penalties due if Adelphia fails to build on schedule. The bond amount starts at \$5 million in 2003, and increases to \$9 million in 2008. If in any year Adelphia fails to meet its building obligation by more than 20 miles, the entire cumulative bond amount must be posted on demand of DPS.

In 2000, the Board found numerous problems with Adelphia's Vermont operation and imposed fines on the company, but also renewed the company's certificate of public good for 11 years, based on Adelphia's commitment to expand cable service along any road with at least 14 homes per mile and to upgrade its system to provide high-speed cable modem internet access and digital cable television. Adelphia appealed parts of the Board's decision to federal court. Subsequently, DPS investigated Adelphia's line extension practices. The result was a settlement and Board order setting a timeframe for Adelphia to build approximately 1,600 miles of overdue cable. In 2002, Adelphia initiated its bankruptcy reorganization and petitioned the Board to be relieved of its obligation to build the miles to which it had agreed. The Board refused to modify the obligation for 1,262 outstanding miles, and Adelphia again appealed to federal court. The new agreement, if approved, will settle all pending cases at the Board and the federal court, and result in Adelphia moving forward with building, which has largely been on hold during the bankruptcy and litigation.

The agreement reaffirms Adelphia's obligation to install at no charge two-way-capable cable service to every school, library and Public and Governmental Access (PEG) studio, and to at least one municipal building in every town the company is licensed to serve, that is within 500 feet of existing cable. (Buildings outside of 500 feet may obtain two-way-capable cable for the incremental cost of installation.) Other outstanding PEG access issues are also defined more clearly and resolved by the agreement.

"This settlement offers the state and Adelphia a way to move forward in a constructive relationship focused on serving Vermonters. I welcome Adelphia's willingness to address the essential interests of Vermonters and to give Vermont the insurance we needed to know they are serious," said O'Brien.